

# Audit Preparedness for Grant Contracts

Presented by the TDEC's  
Division of Internal Audit;  
Subrecipient Monitoring

# Subrecipient Monitoring

- When conducting monitoring activities for the department, we are required by State and Federal policies and procedures to review grant contracts according to contract terms and conditions, rules and regulations, and applicable guidance.

- Being Audit Ready:

Visit: [www.tn.gov](http://www.tn.gov) – to search for the following:

- Policy Number 2013-007, Central Procurement Office Grant Management and Subrecipient Monitoring Policy and Procedure
    - TDEC Title VI Compliance Program
    - Department of Finance and Administration Policy 008, Comprehensive Travel Regulation
    - e-CRF, Part 200 Uniform Administrative, Cost Principles, and Audit Requirements for Federal Awards
    - The Comptroller of the Treasury, Audit Manual
    - The Comptroller of the Treasury, Internal Control Manual
    - Central Procurement Office, Procurement Procedures Manual
    - Public Records Rule 1210-01

# What does this mean for TDEC?

As a recipient of funds, we all are responsible for ensuring those rules and regulations passed down by our governing bodies are adhered to during the monitoring period.

# What does this mean for TDEC?

## (Conti.)

- As we provide funding to Subrecipients, there are certain aspects of each grant contract that require additional attention.
- Specifically to Materials Management, areas may include but are not limited to, Professional Fees, Grants & Awards, Salaries and Benefits, Operating Cost, Travel, Indirect Cost, Specific Assistance, Other Non-Personnel, In-kind, and Capital Purchases.

# Support Documentation

- Support documentation gathered is used to verify the “Scope of Services” and to determine if expenditures incurred are appropriate and allowable per each request for reimbursement.

# Professional Fees, Grants & Awards

- This line-item is used to designate funding for Accounting, Engineering, Surveying, Consulting, Administration services, etc....
- These services almost always procure sub-contracts, require quotes (Verbal or Written) , which specify the type of service to be rendered consistent with the Central Procurement Office, Procurement Procedures Manual.
- If this is the case, the Grantee should provide executed contracts and quotes by attaching them to the support documentation contained in Request for Reimbursements; if not requested for approval prior.

# Professional Fees, Grants & Awards (Conti.)

- The invoices received should include as much detail as possible to properly identify what was purchased or the work performed.
- The invoices should also be tailored to the contract or service agreement, “Scope of Service”.
- Identifiable by the rate or compensation schedule contained in the contract or service agreement.
- There will always be a binding agreement involved.

# Capital Purchases

- Capital Purchases may include equipment or real property (construction, renovations, and improvements).
- This line item is used most often and also requires the Grantee to procure verbal or written quotes and contracts for service consistent with the Central Procurement Office, Procurement Procedures Manual .
- These are reimbursed based on the percentage of completion, at completion, or on the basis of materials needed.
- The procurement process followed may be competitive and evaluated based on cost.



# Capital Purchases (Conti.)

- The invoices received should include as much detail as possible to properly identify what was purchased or the work performed.
- The invoices should also be tailored to the contract or service agreement, “Scope of Service”.
- Identifiable by the rate or compensation schedules contained in the contract or service agreement. (Usually percentage of completion or reimbursed upon successful completion)
- There will always be a binding agreement involved.

# Salaries and Benefits

- This line-item is used when the Grantee plans to complete all or part of the services contained in the contract or agreement. If this is the case, it is recommended that
  - The Subrecipient provide as part of the Grant Contract a list of employees that will be working under the Grant;
  - The hourly rate or wage;
  - Position Title; and
  - Benefits allocated
- The total estimated cost of the budgeted line-item should be completely accounted for and equal the amount stated in the budget.

# Salaries and Benefits (Conti.)

- The support documentation may include and shall be consistent with The Comptroller of the Treasury, Internal Control Manual:
  - Timesheet or some other approved format;
  - Certified by both the employee and supervisor;
  - The amount is usually billed at cost, excluding mark-up;
  - Verifiable through payroll distribution reports;
  - Assist with verifying the employee's existence;
  - Deviations should be agreed upon by authorized individuals (in writing).

# Indirect Cost

- Indirect Cost is reimbursed based on a percentage maximum in relation to salaries and benefits procured.
- The distribution will be made in accordance with an allocation plan approved by your cognizant state agency.
- If there is no approved cost allocation plan, the Grantee should follow the guideline according to the following policy:
- Policy Number 2013-007, Central Procurement Office Grant Management and Subrecipient Monitoring Policy and Procedure.

# Travel

- § 200.474 Travel Cost, of the Uniform Administrative, Cost Principals, and Audit Requirements for Federal Awards
- Travel must result in charges consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally-funded activities and in accordance with non-Federal entity's written travel reimbursement policies.
- Travel Cost should be consistent with the Tennessee Department of Finance and Administration Policy 008, Comprehensive Travel Regulation.
- These types of expenditures require invoices, receipts, and mileage logs.

# Other Budget Line-items Used

- There may be additional line-items used that include supplies, rental equipment, printing, publication, in-kind, and training .
- These types of expenditures require invoices, receipts, rental agreements, or approved documentation to support the expense.

# Grantee Match or Participation

- When the Grant Budget specifies that the subrecipient will be responsible a portion of the cost, it should be expensed and reimbursed according to the allocation.
- Grantee Match can be a percentage of total expenses or according to line-item.
- Grantee Participation is the maximum or minimum liability the Grantee, per line-item will assume responsibility for. The contract should specify which is applicable and should be expensed accordingly.

# Grantee Match or Participation (Conti.)

## Example 1 - Match Requirement by percentage:

If the total compensation or funds allocated in the Grant Budget specifies total cost of \$200K ; the cost are allocated among Capital Purchases as follows:

Budget Line-Item	State	Grantee
Capital Purchases	\$160,000	\$40,000

The total line-item and contract match is 20%.

The request for reimbursement should also reflect the allocation and verified through the evaluation of support documentation provided.



# Grantee Match or Participation (Conti.)

## Example 2: Match Requirement by line-item

If the total compensation or funds allocated in the Grant Budget specifies total cost of \$200K and the cost are allocated among two, the Budget Line-items may appear as follows:

Budget Line-Item:	State	Grantee
Professional Fees, Grants & Award	\$40,000	\$0.00
Capital Purchases	\$120,000	\$40,000

The total match is 20%, however the funds are allocated 75% (State) and 25% (Grantee) among Capital Purchases and 100% to the State for Professional Fees, Grants & Awards.

The request for reimbursement should also reflect the allocation and verified through the evaluation of support documentation provided.

# Budget Revision

- Should be approved prior to beginning work.
- Should properly justify the reason for the change.
- Should properly itemize the task.
- Should be signed and dated.
- Should include the maximum liability.

# Records Management

- Contract terms are for 1 to 5 years
- Accounting records must be maintained by the Grantee for 3 years following their last request for reimbursement.
- Accounting records should be maintained by the program for the term of the contract period or RDA, whichever longer.

# Basic Guidelines

- Be necessary and reasonable for the proper and efficient performance and administration of the award
- Be allocable;
- Be authorized or not prohibited under State or local laws or regulations;
- Conform to any limitations or exclusions as to types or amounts of cost items;
- Be consistent with policies, regulations, and procedures that apply uniformly;
- Be accorded consistent treatment;
- Not included as a cost or used to meet cost sharing or matching requirement of any other award;
- Net of all applicable credits and discounts;
- Be adequately documented; and
- Comparable to market prices.

# Questions and Answers

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